TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL MEMORANDUM

SB 606 – HB 647

March 31, 2015

SUMMARY OF ORIGINAL BILL: Deletes Tenn. Code Ann. § 8-23-206(a)(5) relative to any retiring wildlife officer of the Tennessee Wildlife Resources Agency (TWRA) and the longevity pay prorated for each month of employment since the period for which such officer last received an annual longevity payment. Eliminates longevity payments for eligible executive branch employees effective July 1, 2015. Each executive branch employee currently eligible for longevity will receive a permanent increase in the employee's base salary equal to one-half of the longevity payment due to such employee as of June 30, 2015. The remaining funds previously used for employee longevity to be reallocated to the general fund for the sole purpose of funding the merit pay system established in Tenn. Code Ann. § 8-30-207.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Expenditures - $4,600/Tennessee Wildlife Resources Agency Fund

Other Fiscal Impact – In FY15-16, there will be recurring shift of funds from the repurposing and reallocation of the longevity budget base resulting in $25,995,650 (state, federal, and other) being allocated to employees' current base salaries. Additionally, $15,410,200 in state funds, currently expended on longevity pay, will be reallocated to the General Fund to provide for future merit pay adjustments to salaries. There will also be a reduction in dedicated fund expenditures of $3,038,200 for the elimination of longevity pay from those funds.

An appropriation in the amount of $47.7 million is included in the Governor's FY15-16 budget for merit pay adjustments to salaries and other enhancements to state employee compensation through salary range adjustments. Information provided by the Department of Finance and Administration indicates that $15,410,300 of the $47.7 million appropriation is to be funded by the reallocation of longevity pay authorized in this legislation.

SUMMARY OF AMENDMENT (005248): Deletes all language after the enacting clause. Expands the list of state employees who are not eligible to receive longevity pay to include executive branch employees in state service hired after June 30, 2015. State service is defined as all officers and positions of trust or employment in the service of state government in the executive branch and all boards, commissions and agencies of state government, except those specifically excluded in Tenn. Code Ann. § 8-30-102.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

State Expenditures – Cost Avoidance - $1,720,500/FY18-19 and then growing in subsequent years

Assumptions for the bill as amended:

- Currently, a full-time employee, or an employee who is eligible to accrue annual and sick leave under the provisions of Tenn. Code Ann. §§ 8-50-801 and 8-50-802, must be employed with one or more agencies, offices, departments, or other subdivisions of the executive, judicial, or legislative branch of state government three years to be eligible for longevity pay.
- Any new employees hired after July 1, 2015, longevity pay would now longer be available after three years of state service.
- According to the Department of Human Resources (DOHR), there were 31,216 state employees hired in the last five years. Of that amount 28,674 were hired in the executive branch. For the past five years, there has been an average of 5,735 (28,674/5) executive branch employees hired each year. The average length of employment is 12 years.
- Under current law, an average of 5,735 employees would be eligible to receive longevity of $100 per person per employment year beginning in their third year of employment. These employees will receive $300 each resulting in a total cost of $1,720,500 ($300 x 5,735) in FY18-19. These payments would continue to grow by $100 per employee per employment year each fiscal year.
- Under the proposed legislation, assuming the number of new executive branch employees remains fairly constant, there will be a cost avoidance of $1,720,500 in the first year of longevity payments beginning in FY18-19. This cost avoidance amount will continue to grow over the employment term of those hired in FY15-16 and thereafter.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Jeffrey L. Spalding, Executive Director

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